

WORKING FAMILIES TAX RELIEF ACT (WFTRA)

WFTRA DEFINED

The Working Families Tax Relief Act is an IRS regulation that requires employees who cover dependents on their medical, dental, or vision coverage certify the tax status of each dependent. This certification is done through the completion of a *Declaration of Tax Status Form*.

WHO IS AFFECTED

All current employees who cover dependents on medical, dental, or vision coverage. Retirees and employees who do not cover dependents are not affected.

REQUIRED FORM

Employees with covered dependents received the *Declaration of Dependent Tax Status Form* with the other Annual Change materials. **This form must be completed and returned to the Health Care and Benefits Division by October 16, 2006** for the appropriate tax application of benefits for the 2007 plan year.

COMPLETING THE FORM

To assist in completing this form, flow charts (spouse, child, domestic partner)

State of Montana
Health Care and Benefits Division
PO Box 20027
Helena MT 59620
1-800-287-4806
444-7682 in Helena

DECLARATION OF TAX STATUS

The State of Montana is required by the Internal Revenue Service to apply the proper tax treatment (before or after tax) to benefits for every family member currently enrolled in medical, dental, or vision benefits. Therefore, it is important that you provide the tax status of each person enrolled. The qualification of those individuals as your spouse and/or dependent for tax purposes does not affect their eligibility for medical, dental or vision plans, but does impact the tax treatment of that coverage. The attached flowcharts are provided to assist you in determining and verifying the tax status of your family members.

Listed below is every person currently enrolled in medical, dental or vision benefits as of 09/01/2006. Check one of the tax boxes below each name and return this form to the address above by 06/01/2006. If you do not check a box or respond by the deadline, premium contributions for those persons will be taken on an after-tax basis and the fair market value of the benefits provided by the State of Montana (i.e., those benefits funded through the state share) for those persons will be added to your taxable income. The attached flowcharts provide the most complete overview of the tax rules possible; however, given the complexity of those rules, we recommend that you consult your tax adviser regarding your specific circumstances.

Spouse	
<input type="checkbox"/> Yes, this person is my Spouse	for tax purposes.
<input type="checkbox"/> No, this person is not my Spouse	for tax purposes.
Child	
<input type="checkbox"/> Yes, this person is my Child	for tax purposes.
<input type="checkbox"/> No, this person is not my Child	for tax purposes.
Domestic Partner	
<input type="checkbox"/> Yes, this person is my Domestic Partner	for tax purposes.
<input type="checkbox"/> No, this person is not my Domestic Partner	for tax purposes.

outlining the IRS rules applicable to each of your dependents are also provided for you.

TAX CONSEQUENCES

If you return the form indicating that all your dependents are tax qualified, your tax treatment will not change.

If you return the form indicating that all or some of your dependents are NOT tax qualified, premium contributions for those persons cannot be taken on a pre-tax basis and the fair market value of the benefits provided by the State of Montana (i.e., those benefits funded through the state share) for these persons will be added to your taxable income.

If the form is not returned, premium contributions for dependents cannot be taken on a pre-tax basis and the fair market value of the benefits provided by the State of Montana (i.e., those benefits funded through the state share) for these persons will be added to your taxable income until such time as the return of the form indicates otherwise. In this case, changes can only be made prospectively.